

Press Release

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LCH.Clearnet launches clearing for iron ore swaps

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LCH.Clearnet Ltd (LCH.Clearnet) today launched its over-the-counter (OTC) clearing service for iron ore swaps. The service has seen tremendous support from market participants; six clearing members have already signed up for the service, with additional members expected to become active in the coming weeks.

The first trade, between Cargill and Morgan Stanley, was successfully cleared today, brokered by Freight Investor Services (FIS), a leading freight and dry bulk broker.

The contracts are monthly cash-settled swaps, traded out to two whole calendar years, using The Steel Index (TSI) iron ore reference price for settlement.

Isabella Kurek-Smith, director of energy and freight said: "The enthusiasm for this ground-breaking new service indicates that there is a strong market demand for iron ore swap clearing. The timing of the launch is exceptional as interest in this nascent market develops, volumes continue to grow and participants increasingly look to reduce their counterparty risk."

John Banaszkiwicz, managing director of FIS said: "We are pleased to trade the first ever LCH.Clearnet iron ore swap. We believe this contract will come to be seen as a vital tool in the fast-moving steel and freight sectors. With only 15% of the 2009 iron ore requirement fixed so far, we believe more iron ore will be fixed spot, resulting in a spike to freight rates."

Joe Radmore, freight and iron ore trader at Morgan Stanley, which is one of the most active traders in this market, said: "Iron ore trading compliments Morgan Stanley's freight business which shipped several million tonnes of third party iron ore last year on our own time-chartered vessels."

"We view being able to clear iron ore derivatives as a big step forward in increasing liquidity to the market. Combined with bigger physical volumes of iron ore trading in the spot market, this market should really grow within the next 12 months."

Mark Lyons, trading manager, iron ore and steel derivatives at Cargill said: "Cargill has been trading iron ore swaps for nine months and now the availability

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of a cleared contract will enable us to protect the value of assets and will also result in improved transparency for the buyers and sellers, particularly beneficial to the mills and mines.”

850 million tonnes of iron ore with a market value of 160 billion was shipped in 2008, confirming the importance of the commodity and its potential.

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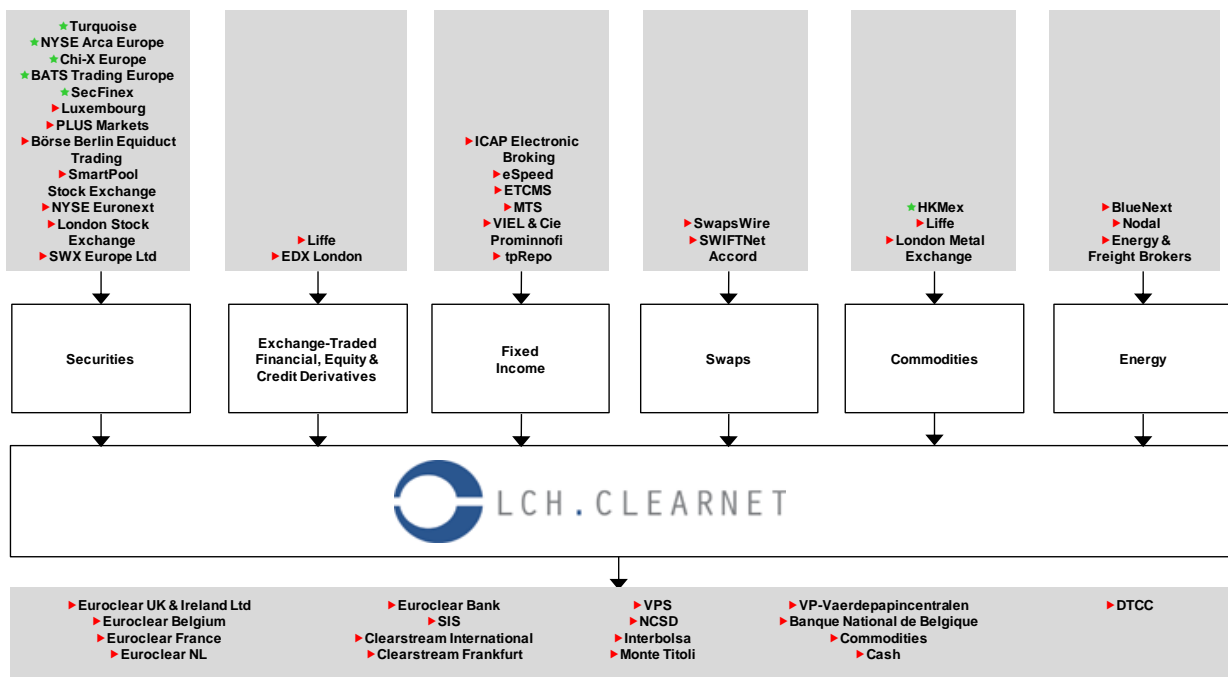
About LCH.Clearnet

LCH.Clearnet is the leading independent clearing house in Europe, serving major international exchanges and platforms, as well as a range of OTC markets. It clears a broad range of asset classes including: securities, exchange traded derivatives, energy, freight, interbank interest rate swaps and euro and sterling denominated bonds and repos; and works closely with market participants and exchanges to identify and develop clearing services for new asset classes.

As a clearing house, LCH.Clearnet sits in the middle of a trade, assuming the counterparty risk involved when two parties (or members) trade. When the trade is registered with LCH.Clearnet, it becomes the legal counterparty to the trade, ensuring the financial performance; if one of the parties fails, LCH.Clearnet steps in. By assuming the counterparty risk, LCH.Clearnet underpins many important financial markets, facilitating trading and increasing confidence within the market.

Initial and variation margin (or collateral) is collected from LCH.Clearnet members; should they fail, this margin is used to fulfill their obligations. The amount of margin is decided by LCH.Clearnet’s highly experienced risk management teams, who assess a member’s positions and market risk on a daily basis. Both the soundness of the risk management approach and the resilience of its systems have been proven in recent times.

LCH.Clearnet is regulated or overseen by the national securities regulator and/or central bank in each jurisdiction from which it operates.



★ Soon to be launched